



Canyon Fuel Company, LLC
Skyline Mines
HC 35 Box 380
Helper, Utah 84526
(435) 448-6463 Fax: (435) 448-2632

January 22, 2001

Coal Regulatory
Attn.: Daron Haddock
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

RE: ~~Midterm Response~~, Canyon Fuel Company, LLC. Dugout Canyon Mine,
ACT0077039 MT00

Dear Daron:

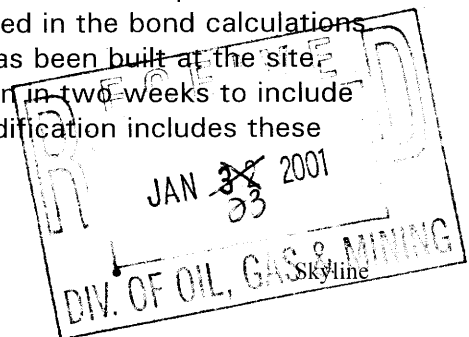
This letter has been written to respond to the Utah Division of Oil, Gas and Mining's (Division) Midterm Review of the Canyon Fuel Company, LLC. (CFC) Dugout Canyon Mine (Dugout). The following text provides CFC's response to the midterm review.

As part of the response to the Divisions review, modifications have been made to the Mining and Reclamation Plan and five copies of the modified pages are included with this letter. Three redline-strike through copies of the modified text and completed C1/C2 forms are also included. The modifications to the text include a commitment to submit Snotel data for the San Rafael/Price River drainage basins used to determine "dry" and "wet" years as described in the Dugout M&RP. This data will be submitted beginning this year with the first quarter water monitoring data. A second commitment includes installing a precipitation gage at the mine site during the summer of this year.

The bond has been modified to remove costs for a concrete non-coal waste storage area that was not built (nor are there plans to build this structure) as part of the site construction. Bond costs for the demolition and removal of concrete pads have been increased by changing the thickness of the pads used in the bond calculations. The increased thickness more accurately depicts what has been built at the site. Since CFC is anticipating submitting a permit modification in two weeks to include construction and operation of a leach field, the bond modification includes these

SUFCO Mine

Soldier Canyon Mine
Mines



costs. Further, the new bond is not included with this submittal, but will be submitted at the time of the leach field modification application.

The Midterm Review also included a few maintenance issues related to the surface operations at the mine. The ditch located near the future fuel storage area had accumulated sediment within the ditch. This material has been removed where possible and the remainder will be removed this spring or as soon as the sediment thaws. Also, the bermed area of the temporary diesel storage exhibited signs of fuel spills. CFC anticipates that the temporary fuel storage area will be abandoned by the end of the first quarter of this year or as soon as the permanent fuel tanks are installed in their concrete containment areas. The temporary fuel storage area will be cleaned-up as soon as the ground thaws.

Finally, a sample of the gas rising through the water in the upstream end of the mine site sediment pond was obtained and analyzed. As reported in a letter dated December 20, 2000 from Mr. Dave Spillman (CFC) to Mr. Daron Haddock (Division), the gas is comprised principally of methane. The letter stated that because of the insignificant flow volume and well ventilated nature of the area, the gas does not pose a significant health or safety hazard.

If you have any questions or comments regarding this submittal, please call me at (435) 448-2669.

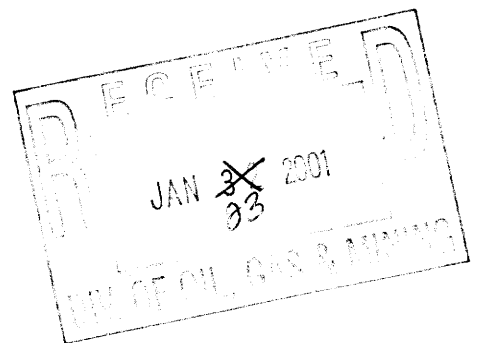
Sincerely:



Chris D. Hansen
Environmental Coordinator
Canyon Fuel Company, LLC

enclosures

xc: Dave Spillman, CFC



APPLICATION FOR PERMIT PROCESSING

Permit Change <input checked="" type="checkbox"/>	New Permit <input type="checkbox"/>	Renewal <input type="checkbox"/>	Transfer <input type="checkbox"/>	Exploration <input type="checkbox"/>	Bond Release <input type="checkbox"/>	Permit Number: ACT/007/039
Title of Proposal: Response to Division's Midterm Review of the Dugout Canyon Mine M&RP						Mine: DUGOUT CANYON
						Permittee: CANYON FUEL CO., LLC

Description, include reason for application and timing required to implement:

Modification to the Dugout Canyon Mine Permit, second response to Division's TA of the Federal Lease expansion proposal.

Instructions: If you answer yes to any of the first 8 questions (gray), submit the application to the Salt Lake Office. Otherwise, you may submit it to your reclamation specialist.

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	1. Change in the size of the Permit Area? _____ acres Disturbed Area? _____ acres <input type="checkbox"/> increase <input type="checkbox"/> decrease.
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	2. Is the application submitted as a result of a Division Order? DO # _____
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	3. Does application include operations outside a previously identified Cumulative Hydrologic Impact Area?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	4. Does application include operations in hydrologic basins other than as currently approved?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	5. Does application result from cancellation, reduction or increase of insurance or reclamation bond?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	6. Does the application require or include public notice/publication?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	7. Does the application require or include ownership, control, right-of-entry, or compliance information?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	9. Is the application submitted as a result of a Violation? NOV # _____
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	10. Is the application submitted as a result of other laws or regulations or policies? Explain: Response to Division TA
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	11. Does the application affect the surface landowner or change the post mining land use?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2?)
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	13. Does the application require or include collection and reporting of any baseline information?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	15. Does application require or include soil removal, storage or placement?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	16. Does the application require or include vegetation monitoring, removal or revegetation activities?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	17. Does the application require or include construction, modification, or removal of surface facilities?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	18. Does the application require or include water monitoring, sediment or drainage control measures?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	19. Does the application require or include certified designs, maps, or calculations?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	20. Does the application require or include subsidence control or monitoring?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	21. Have reclamation costs for bonding been provided for?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	22. Does application involve a perennial stream, a stream buffer zone or discharges to a stream?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	23. Does the application affect permits issued by other agencies or permits issued to other entities?

X Attach 3 complete copies of the application.

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein. (R645-301-123)

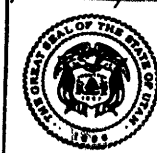
REID W. OLSEN
RWOlsen GEN. MGR. 1/23/01
 Signed - Name - Position - Date

Subscribed and sworn to before me this 23 day of January, 2001

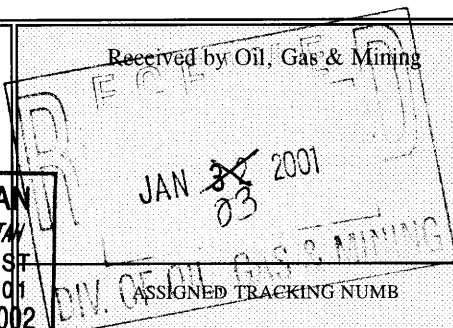
My Commission Expires:
 Attest: STATE OF
 COUNTY OF

Notary Public

Carbon



DIONNE M. OMAN
 NOTARY PUBLIC - STATE OF UTAH
 891 NORTH 300 EAST
 PRICE, UTAH 84501
 COMM. EXP. 12-15-2002



Title of Application:

Permit Number: ACT/007/039

Response to Division's Midterm Review of the Dugout Canyon Mine M&RP

Mine: DUGOUT CANYON

Permittee: CANYON FUEL CO., LLC

Provide a detailed listing of all changes to the mining and reclamation plan which will be required as a result of this proposed permit application. Individually list all maps and drawings which are to be added, replaced, or removed from the plan. Include changes of the table of contents, section of the plan, pages, or other information as needed to specifically locate, identify and revise the existing mining and reclamation plan. **Include page, section and drawing numbers as part of the description.**

[illegible]

Any other specific or special instructions required for insertion of this proposal into the Mining and Reclamation Plan?

